

CHUM Limited**Annual Report,
year ended
August 31, 1975****Contents**

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CHUM Limited

HEAD OFFICE

1331 Yonge Street
Toronto, Ontario M4T 1Y1

REGISTRAR AND TRANSFER AGENT

Montreal Trust Company
Toronto, Ottawa, Montreal,
Halifax, Regina, Calgary,
Vancouver

SOLICITORS

Fasken & Calvin

AUDITORS

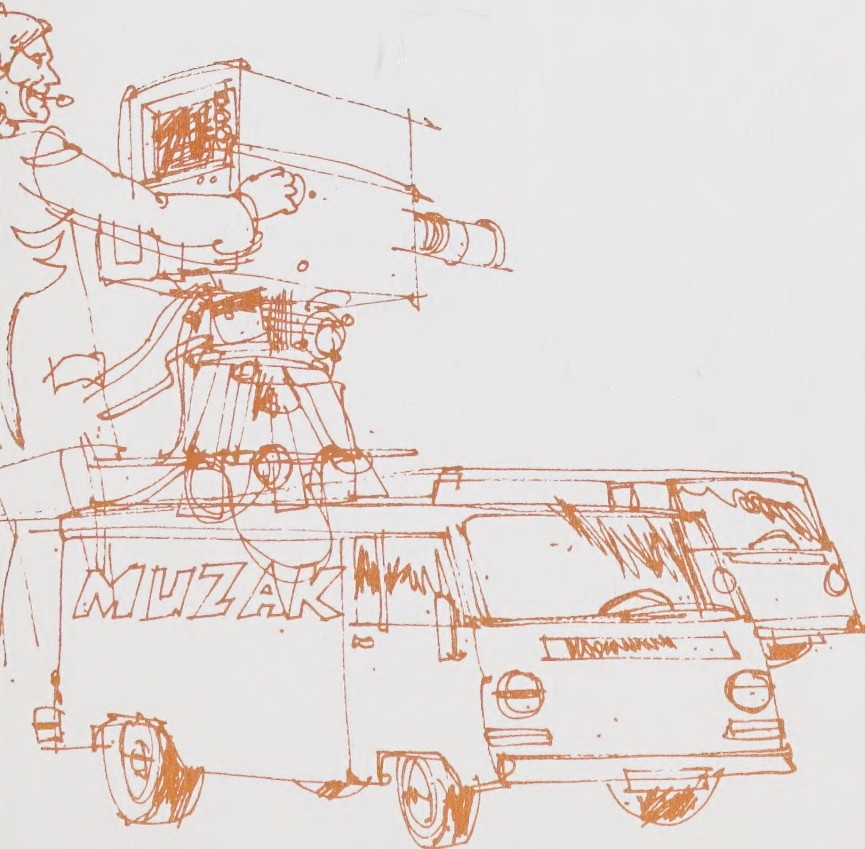
Price Waterhouse & Co.

BANKERS

The Royal Bank of Canada

STOCK EXCHANGE LISTINGS

Toronto, Montreal, Vancouver



The CHUM Group

BRITISH COLUMBIA

CFUN Vancouver

"Music by Muzak" for
Vancouver and Victoria

ALBERTA

"Music by Muzak" for Calgary

MANITOBA

CFRW Winnipeg

CHIQ-FM Winnipeg

ONTARIO

CHUM Toronto

CHUM-FM Toronto

CFRA Ottawa

CFMO-FM Ottawa

CKPT Peterborough

CKVR-TV Barrie

"Music by Muzak" for the
Province of Ontario

National Security Systems
Limited, Toronto

Goldfarb Consultants Limited,
Toronto

Intertask Limited, Ottawa

Accu-Tab Computer Services
Limited, Toronto

MARITIMES

CJCH Radio, Halifax

Atlantic Television System

— CJCH-TV Halifax

— CJCB-TV Sydney

— CKCW-TV

Moncton/Charlottetown

— CKLT-TV Saint John

Directors and Officers

Allan Waters

Toronto

(President, CHUM Limited)

J. Wesley Armstrong

Toronto

(Vice-President, Sales,
CHUM Limited)

Alexander A. Forbes, C.A.

Toronto

(Vice-President, Finance and
Secretary-Treasurer, CHUM Limited)

A. Deane Nesbitt, O.B.E., D.F.C.,
B.Eng.

Montreal

(President, Nesbitt, Thomson
and Company, Limited)

Fred Sherratt

Toronto

(Vice-President, Programming and
Operations, CHUM Limited)

Ralph T. Snelgrove

Barrie

(Chairman of the Board,
CKVR Channel 3 Limited)

Robert M. Sutherland, Q.C.

Toronto

(A Senior Partner, Fasken & Calvin)

Taylor C. Baiden, B.Comm., C.A.

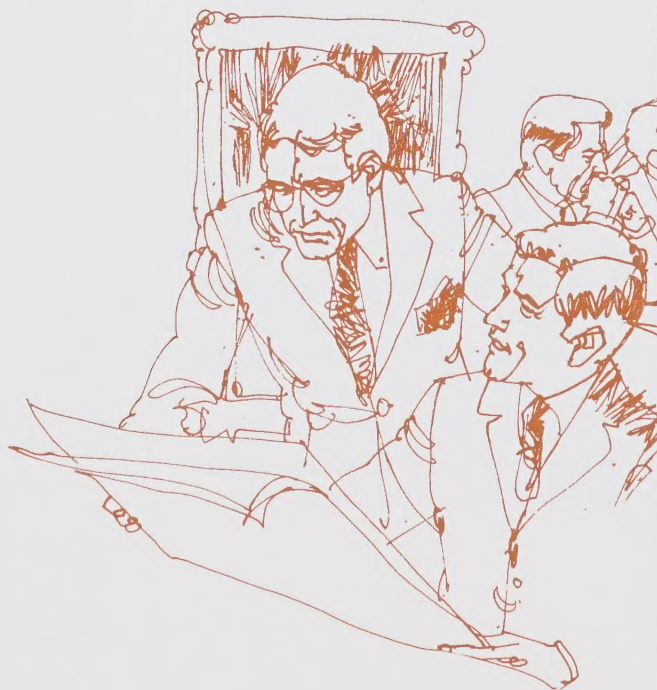
Toronto

(Controller, CHUM Limited)

Financial Highlights

Year ended August 31

	<u>1975</u>	<u>1974</u>
Revenue, less agency commissions	\$29,657,000	\$25,566,000
Net earnings before extraordinary item	2,806,000	2,111,000
Earnings per Class B and Common Share before extraordinary item	86¢	65¢
Net earnings per Class B and Common Share	77¢	65¢
Working capital from operations	4,405,000	3,701,000
Provision for income taxes	3,890,000	3,173,000
Working capital at end of year	4,798,000	4,278,000
Long-term debt	5,701,000	7,813,000
Shareholders' equity.....	18,850,000	17,128,000
Dividends paid		
— Class B shares	515,000	515,000
— Common shares	264,000	264,000
Capital expenditures	797,000	1,211,000



Report to the Shareholders

To our Shareholders:

I am pleased to report that CHUM Limited attained new highs in both sales and earnings for the year ended August 31, 1975.

Revenue rose to \$29,657,000, compared to \$25,566,000 for the corresponding period last year.

Earnings (before extraordinary item) totalled \$2,806,000, representing 86¢ per Common and Class B share, as compared to 65¢ last year on earnings of \$2,111,000.

Each CHUM Group radio and television station reached a record level in sales. "Music by Muzak" and Goldfarb Consultants Limited enjoyed a very successful year, increasing both sales and earnings. National Security Systems Limited and Intertask Limited both made modest contributions to the earnings of the Company.

The freeze on new FM broadcasting licenses was lifted in July, 1975 when the Canadian Radio-Television Commission introduced its long-awaited FM

Policy. The policy calls for programming on FM radio that is distinctive and diversely different. Through its subsidiaries, CHUM Limited has filed applications to establish FM stations in Vancouver, Barrie, Peterborough and Halifax, cities where the Company already operates broadcasting stations. As a consequence, certain economies could be effected and the expertise of key staff utilized to establish these new FM outlets. Generally, FM radio has not yet been developed to its full potential with the result that the medium has not been profitable. However, FM radio will become even more important and more widely accepted in the years to come. We feel we can contribute to its growth.

CHUM Group radio and television stations are devoted to providing the best in entertainment and information programming to their listeners and viewers. Without exception, all stations performed exceedingly well during the past year.

CHUM and CHUM-FM won three major awards and fourteen honourable mentions in the Canadian Radio Bureau's 1975 commercial competition, and two top awards from Billboard Magazine in the United States. The award winning commercials and public service announcements were written and produced by CHUM and CHUM-FM's creative and production team. The

same people are responsible for producing program specials and documentaries which are shared with other stations in the CHUM Group.

CHUM-FM will commence broadcasting from the CN Tower in April, 1976. CHUM-FM and the other Toronto FM stations moving to the Tower purchased the antenna and the necessary combining equipment which carry the capacity to accommodate additional FM stations licensed for Toronto. CHUM-FM's effective coverage area will be greatly increased, and the signal interference caused by downtown buildings and other obstructions will be minimized.

CFRA and CFMO-FM in Ottawa are preparing to move their offices and studios to the second floor of a two-storey, 20,000 square foot structure immediately to the rear of their present location. The building is part of the \$7.7 million Killeany Place development. CFRA and CFMO-FM will be relocated in their new premises early in the new year. The expanded facilities will enable both stations to operate more efficiently.

Radio Station CKPT Peterborough has been authorized to increase its daytime power to 10,000 watts. This increase will improve CKPT's signal within its present coverage area and make the station available to residents of the smaller communities adjacent to Peterborough. CKPT will be moving their offices and studios to

much needed larger premises in Peterborough Square. The Square is across the street from CKPT's present studios and is located over three blocks of the downtown area which was redeveloped at a cost of \$15 million, and which includes offices, stores, and the new CP Hotel.

Additional improvements in facilities are planned at other CHUM Group stations.

CHUM (Manitoba) Limited has applied to change the frequency of CFRW Winnipeg from 1470 to 1290. This move would improve CFRW's signal strength and quality within the Greater Winnipeg area. Additionally, CFRW-FM changed its call letters to CHIQ-FM, and has asked the CRTC for authority to change its frequency and increase its power in order to overcome signal interference with a Winnipeg television station.

A power increase to 25,000 watts has been requested by CJCH Radio in Halifax. The

power boost would improve the signal strength and reception in CJCH's primary coverage area, and overcome night time signal deficiencies in the southern part of Halifax and the suburban areas.

Steady progress has been made at CFUN Vancouver since the CFUN call letters were returned to the city in September, 1973. CFUN's personalities and the station's expanded retail sales force are receiving increasing acceptance in the community. CFUN moved into the Number Two position in the competitive Vancouver market, and made a contribution to the Company's earnings for the first time since the station was acquired in December, 1972.

CKVR-TV Barrie was named the 1975 Television Station of the Year. This award is the most coveted in Canadian television. It was given to CKVR-TV for its efforts in helping to organize the Whipper Billy Watson telethon to raise money for a therapeutic pool to serve the people of Central Ontario. CKVR-TV updated its visual identity during the year. The new logotype, which incorporates a bright, stylized sunburst and contemporary lettering in the CKVR-TV call sign, is being used on all station identification, both on and off the air. CKVR-TV is now available to all Metropolitan Toronto cable subscribers who have the mid-band converter.



Allan Waters, President



The fifteen cable companies serving the area are aggressively marketing the converter; consequently, more and more Toronto residents are gaining access to CKVR Television through this expanded channel service.

The Atlantic Television System is now in its fourth year of providing integrated television service to the Maritime provinces. The System has stations in Halifax, Moncton, Saint John and Sydney. In addition to its extensive schedule of local and regional news and public affairs programming, ATV introduced a regional hour-long weekend news program. "The ATV Weekend News" originates from Halifax, and all stations in the System contribute to its content. ATV recently commenced a daily live broadcast from Parliament Hill produced exclusively for Maritime viewers. With the installation of colour equipment at CJCB-TV Sydney this past summer, the ATV System is now fully colourized. In keeping with our commitment to extend full CTV service to all the residents of New Brunswick, ATV will apply for five new facilities and rebroadcasting stations in Western New Brunswick and the Miramichi Valley.

Steady growth was experienced this year by the subsidiary companies which operate "Music by Muzak" in the Province of Ontario and the cities of Calgary, Vancouver and Victoria. Additional subscribers signed up for the "Muzak" service, while others renewed their contracts. CHUM Limited has been involved in "Music by Muzak" since acquiring the Ontario franchise in 1969.

Goldfarb Consultants Limited experienced rapid growth during the past year, and its potential for additional growth is excellent. The company specializes in all forms of consumer, product and motivational research, and has clients throughout Canada, the U.S.A. and Europe. Goldfarb Consultants' computer facilities (owned by an associate company, Accu-Tab Computer Services Limited) are being expanded in order to handle the increased work load, as well as computer and consulting time sold to outside companies.

National Security Systems Limited is looking to expansion in the months ahead. Arrangements have been made for the Ontario rights to Photo-Scan, a control system for management which also acts as a crime deterrent for the prevention of shoplifting, robbery and employee

pilferage. The potential for selling this service to a rapidly increasing number of security-minded businesses is very promising. Installations may be made in retail outlets, factories, warehouses, office and apartment buildings, hotels and hospitals.

Intertask Limited was formed in 1974. Intertask is an events management company which acts as a resource to planners of conferences, conventions and other special events. CHUM Limited owns 57.7% of the company, and the balance is held by its key executive staff. Intertask's clients include governments, associations and major companies. During the year, the company's sales volume more than doubled, demonstrating a growing need for this unique service.



CHUM Toronto continues to provide a \$10,000 yearly subsidy for the operation of its "twin", CFCT, the Arctic radio station licensed to the residents of Tuktoyaktuk. The station provides a vital communications link for the people of this community in the far north. To date, CHUM has given more than \$100,000 for the establishment and maintenance of CFCT.

CHUM Limited continued to pay a regular quarterly dividend of six cents per share on the Class B stock, and for the third consecutive year, the Board of Directors declared a year-end dividend of twenty-four cents per share on the Common stock. In total, \$779,000 in dividends was passed on to the shareholders of the Company this year.

The coming year will, I am sure, hold many surprises for Canadian business. The Federal Government's Bill C-73 to provide for the restraint of profit margins, prices, dividends and compensation is open to wide interpretation, and it is difficult to forecast just what direct effect it will have on our Company.

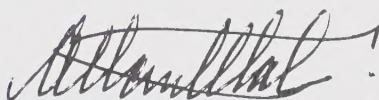
We certainly agree that the current rate of inflation in Canada is contrary to the interests of all Canadians. It is a matter of serious national concern, and must be contained and reduced.

We believe the "Anti Inflation Act" has certain built in flexibilities that will make allowances for special situations and will not impede the progress of Canada's free enterprise system.

We heartily endorse the Government's decision to attack inflation and, hopefully, reduce it. It will be the policy of all companies in the CHUM Group to assist and co-operate with the Anti-Inflation Board.

The first quarter of our new fiscal year is not yet complete. However, at the time of writing, I am pleased to report that sales and sales bookings are ahead of the same period last year. We are continuing the policy in each of our companies of developing strong and efficient sales teams which are adaptable to changes in the economic climate.

We look forward to a good 1976.



Allan Waters,
President.

Toronto, Ontario
November 12, 1975.

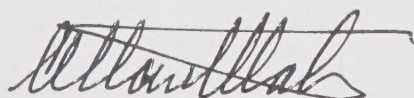


Consolidated Balance Sheet

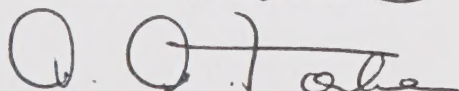
ASSETS

	August 31	
	1975	1974
Current assets:		
Cash	\$ 1,110,837	\$ 1,885,304
Short-term deposits	901,996	1,391,044
Accounts receivable	5,280,310	5,218,182
Inventories, at the lower of cost and net realizable value	158,194	643,379
Prepaid and deferred expenses	357,842	403,095
	<u>7,809,179</u>	<u>9,541,004</u>
Investments (Note 2)	609,236	71,551
Fixed assets, at cost:		
Land	1,485,452	1,545,377
Buildings and equipment	14,946,543	14,620,556
	<u>16,431,995</u>	<u>16,165,933</u>
Less: Accumulated depreciation	10,697,159	9,987,276
	<u>5,734,836</u>	<u>6,178,657</u>
Other assets:		
Franchise, at cost less amortization of \$871,364 (1974 — \$798,751)	496,193	568,806
Excess of cost of shares of subsidiary companies over book value of underlying assets, and other goodwill, at cost	15,183,151	15,647,846
	<u>15,679,344</u>	<u>16,216,652</u>
	<u>\$29,832,595</u>	<u>\$32,007,864</u>

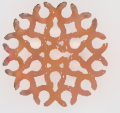
APPROVED BY THE BOARD:



Director



Director



LIABILITIES AND SHAREHOLDERS' EQUITY

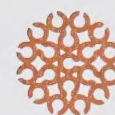
	August 31	
	1975	1974
Current liabilities:		
Bank loans and overdrafts	\$ 142,000	\$ 1,160,268
Accounts payable and accrued liabilities	1,704,036	1,920,705
Income taxes payable	992,744	1,006,908
Current portion of long-term debt	172,235	1,174,838
	<u>3,011,015</u>	<u>5,262,719</u>
Long-term debt (Note 3)	5,701,236	7,812,503
Minority interests	2,270,379	1,804,968
Shareholders' equity:		
Capital stock (Note 5) —		
Non-voting Class B shares without par value —		
Authorized — 8,000,000 shares		
Issued — 2,145,500 shares	9,135,960	9,135,960
Common shares without par value —		
Authorized — 1,500,000 shares		
Issued — 1,100,403 shares	987,630	987,630
Retained earnings	8,726,375	7,004,084
	<u>18,849,965</u>	<u>17,127,674</u>
	<u>\$29,832,595</u>	<u>\$32,007,864</u>

Consolidated Statement of Earnings

	Year ended August 31	
	1975	1974
Revenue, less agency commissions (Note 4)	\$29,656,530	\$25,565,739
Operating expenses	20,553,330	18,065,110
	9,103,200	7,500,629
Other expenses (income):		
Interest expense, including \$889,239 on long-term debt (1974 — \$703,207)	973,297	812,332
Interest and investment income	(165,329)	(185,456)
Gain on sale of property	(77,783)	—
Depreciation	998,236	1,029,589
Amortization of franchise	72,613	72,615
	1,801,034	1,729,080
Earnings before income taxes and minority interests	7,302,166	5,771,549
Provision for income taxes	3,889,921	3,172,502
	3,412,245	2,599,047
Minority interests in earnings of subsidiary companies	606,288	487,671
Net earnings before extraordinary item	2,805,957	2,111,376
Extraordinary item:		
Loss on disposal of investment in Frolic Toys Limited, a subsidiary company	304,649	—
Net earnings for the year	\$ 2,501,308	\$ 2,111,376
Earnings per Class B and common share:		
Net earnings before extraordinary item	86¢	65¢
Extraordinary item	9	—
Net earnings for the year	77¢	65¢

Consolidated Statement of Retained Earnings

	Year ended August 31	
	1975	1974
Retained earnings at beginning of year	\$7,004,084	\$5,671,725
Net earnings for the year	2,501,308	2,111,376
	9,505,392	7,783,101
Deduct: Dividends paid (24¢ per share) —		
Class B shares	514,920	514,920
Common shares	264,097	264,097
	779,017	779,017
Retained earnings at end of year	\$8,726,375	\$7,004,084



Consolidated Statement of Changes in Financial Position

Year ended August 31
1975 1974

Source of funds:

Operations —

Net earnings before extraordinary item	\$2,805,957	\$2,111,376
Add: Charges (credits) not affecting working capital —		
Depreciation and amortization	1,070,849	1,102,204
Minority interests in earnings of subsidiary companies	606,288	487,671
Gain on sale of property	(77,783)	—
Working capital from operations	4,405,311	3,701,251
Income tax reduction credited to goodwill	65,974	6,528
Proceeds from sale of property	298,963	—
Proceeds from issue of long-term debt	—	3,377,887
Other	41,355	21,654
	<u>4,811,603</u>	<u>7,107,320</u>

Application of funds:

Additions to fixed assets	796,579	1,210,779
Reduction of long-term debt	2,111,267	1,848,915
Purchase of new business, net of working capital acquired of \$475,600	—	2,778,665
Dividends paid	779,017	779,017
Dividends paid to minority shareholders	140,750	—
Net reduction in working capital from disposal of investment in Frolic Toys Limited	464,111	—
Other	—	6,732
	<u>4,291,724</u>	<u>6,624,108</u>

Increase in working capital	519,879	483,212
Working capital at beginning of year	4,278,285	3,795,073
Working capital at end of year	<u>\$4,798,164</u>	<u>\$4,278,285</u>

Auditors' Report

To the Shareholders of CHUM Limited:

We have examined the consolidated balance sheet of CHUM Limited and subsidiary companies as at August 31, 1975 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the report of the auditors who have examined the financial statements of a subsidiary company.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at August 31, 1975 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PRICE WATERHOUSE & CO.
Chartered Accountants

Toronto, Ontario
November 7, 1975

Notes to Consolidated Financial Statements August 31, 1975

1. Accounting policies:

Consolidation —

The consolidated financial statements include the accounts of the Company and all of its subsidiaries.

Goodwill —

It is the Company's policy not to amortize the excess cost of shares of subsidiary companies and other goodwill relating to acquisitions made prior to April 1, 1974 since these amounts are considered to be of continuing value.

Depreciation —

Depreciation is provided in the accounts of the companies on the reducing balance method at the maximum rates allowed for income tax purposes which are buildings — 5%, equipment — 20% to 25%.

Income taxes —

The tax saving resulting from the portion of goodwill allowed as a deduction in computing taxable income is credited against the cost of the goodwill.

Franchise —

The franchise is being amortized on a straight-line basis over the period of the franchise agreement, which is approximately eighteen years.

2. Investments:

	August 31	
	1975	1974
57,600 non-voting redeemable preference shares, par value \$10 each, of Frolic Toys Limited, at cost	\$576,000	—
Other, at cost	33,236	\$71,551
	<u>\$609,236</u>	<u>\$71,551</u>

Effective April 30, 1975, the Company sold its 90% of the common shares of Frolic Toys Limited and a portion of its preference shares. The purchasers have agreed to ensure that Frolic Toys Limited redeems or purchases for cancellation, at par value of \$10 each, 11,520 shares in each of the five years 1976 to 1980 inclusive.

3. Long-term debt:

	August 31	
	1975	1974
Term bank loans —		
Repayable in monthly instalments of \$62,500 from September 1976 and \$75,000 from September 1977 to August 1982 with interest at 1½% above prime bank rate (1)	\$5,250,000	\$ —
Repayable in monthly instalments to 1976 with interest at ¾% above prime bank rate (unsecured)	100,000	250,000
Other loans repaid in full in 1975	—	7,807,320
Notes payable —		
Repaid in 1975, non-interest-bearing	—	100,000
Repayable in semi-annual instalments to 1977 with interest at prime bank rate	120,000	180,000
Promissory notes, non-interest-bearing (2)	229,350	274,350
Mortgages and other debt, 5% to 7% due in 1985	174,121	375,671
	<u>5,873,471</u>	<u>8,987,341</u>
Less: Current portion	<u>172,235</u>	<u>1,174,838</u>
	<u>\$5,701,236</u>	<u>\$7,812,503</u>

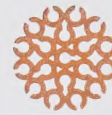
The principal repayments of long-term debt required in each of the next five years ended August 31, are as follows:

1976	\$172,235	1979	\$913,893
1977	822,750	1980	914,526
1978	913,302		

- (1) The term bank loan of \$5,250,000 is unsecured, however, if requested at any time by the bank, the Company has undertaken to provide within thirty days security consisting of general assignments of receivables of all companies in the group, fixed charges on the shares of the subsidiaries and floating charges on the assets of all the companies.
- (2) The promissory notes bear no due date and are payable only on agreement of all the shareholders of a subsidiary.

4. Revenue:

	Year ended August 31	
	1975	1974
Revenue is divided in the following proportions:		
Broadcasting, less agency commissions	82%	78%
Other	18	22
	<u>100%</u>	<u>100%</u>



5. Capital stock:

The holders of the Class B shares are entitled to receive, if, as and when declared by the board of directors, annual non-cumulative dividends at the rate of 24¢ per share. No dividends shall be declared on the common shares in any year until dividends of 24¢ per share have been paid on the Class B shares. Whenever in any year dividends of 24¢ per share have been paid on both the Class B and common shares, any further dividends shall be paid equally on the Class B and common shares.

The Class B and common shareholders are entitled to share equally in any distribution of the Company's assets on winding up.

Options are outstanding to purchase 20,000 non-voting Class B treasury shares exercisable prior to March 15, 1978 at \$12.00 per share, and at \$14.00 per share thereafter until expiry on March 15, 1983.

6. Income taxes:

As at August 31, 1975 certain subsidiary companies had non-capital losses available for carry forward to future periods, calculated on the accounting basis, amounting to approximately \$1,020,000. These losses are summarized as follows:

Losses for income tax purposes expiring 1976-1980	\$ 650,000
Excess of undepreciated capital cost of fixed assets over net book value	370,000
	<u>\$1,020,000</u>

In addition capital losses of approximately \$440,000 are available to be carried forward against capital gains realized in future years.

No recognition has been given in the consolidated financial statements to the potential future tax saving resulting from the availability of these losses.

7. Statutory information:

Remuneration of directors and senior officers, as defined by the Business Corporations Act of Ontario, amounted to \$641,500 for the year ended August 31, 1975 (1974 — \$518,400).

